

FEDERAL RESERVE BANK OF PHILADELPHIA

BUSINESS REVIEW

FEBRUARY 1959

Consumer Aspirations: An Experimental Survey

"What would you do with \$2,000?" we asked a sample of local consumers. Their answers reflect a disenchantment with "big ticket" durables and a desire to increase savings.

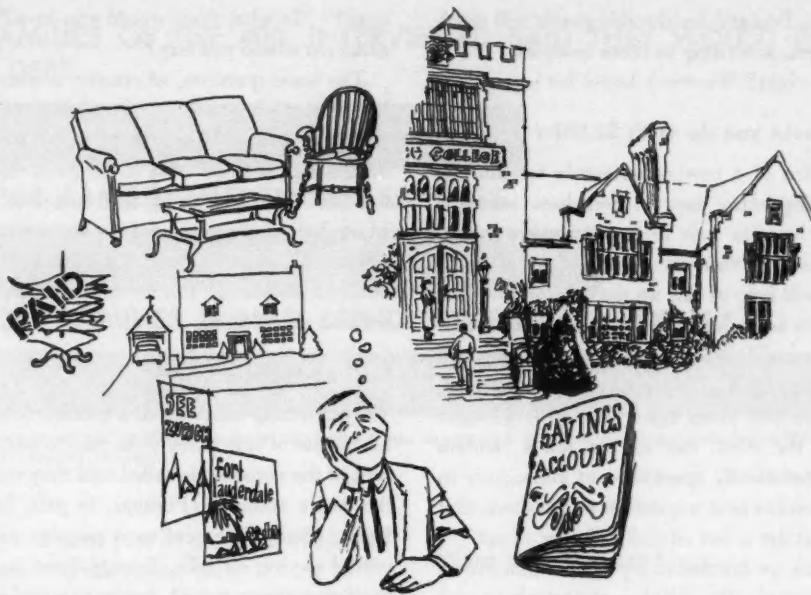
Banking's Fast-Growing Family

We've had a postwar boom in banking employment. It has increased three times faster than total non-agricultural employment. This article explains why.

The Lag in Factory Employment

In recession, factory employment declined less in this District than in the United States. But recovery has been at a slower pace locally than nationally.

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Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pa.*



CONSUMER ASPIRATIONS: AN EXPERIMENTAL SURVEY

At the present time there is no more interesting question being asked than "How will consumer spending behave in the months ahead?" To some extent this is always the case. After all, despite the tremendous increase in the importance of Government spending, consumer spending still accounts for about 65 per cent of total spending or Gross National Product. But this year, measures of the total and indications of the pattern of personal consumption expenditures are being watched with possibly more interest than at any time within memory.

One big reason for this intense interest is fairly obvious. There is sharp disagreement about the

course of consumer spending in the near future.

Some say that we have a "new consumer," somewhat older, better satisfied, and more sophisticated than his immediate predecessor. This new consumer is not a spender—or at least he isn't the same kind of spender as his earlier postwar counterpart. There will be no surge in the demand for durables as we now know them, according to these analysts.

Others do not agree. "Consumers will spend, and in general they'll spend the way they always have," they say. Demand for houses is high and will go higher. Automobiles will zoom in the spring. Appliances will come on as the year

progresses. Demand for durable goods will spark a new boom, according to these analysts.

Who is right? We won't know for some time.

What would you do with \$2,000?

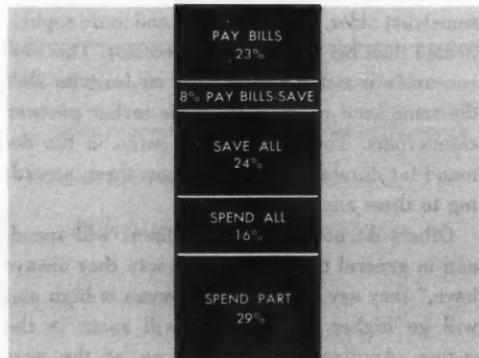
But the idea of a new consumer is fascinating, though disquieting too. It somehow seems a shame to have to wait to test it against actual results. Possibly there is a way to get evidence now that will help us size up the consumer—is he new, or the same fellow we've known the whole postwar period? What kind of spending mood are consumers now in as compared with ten years ago or even five years ago? Of course we can't turn back the clock. But we can ask a random sample—statistically speaking—of consumers in the Philadelphia area a question or questions that will help us get a feel of their present mood.

To do this we decided to try a somewhat different type question. We called on the telephone and asked "If you received \$2,000 that you had not expected, how would you use it?" Depending on the answer, we asked additional questions. "Would you use the entire amount for that pur-

FIVE MAJOR CLASSES AS A PERCENT

OF ALL INTERVIEWS

400 Interviews



pose?" "In what form would you save?" "What make car would you buy?"

The basic question, of course, is unrealistic—how many of us ever get a windfall of \$2,000? Also it's unexpected and, therefore, to some extent disarming; answers have to be given rapidly, off the cuff. The first thing that comes to mind is blurred. Perhaps after a few moments of sober reflection answers would be modified or even changed somewhat. But the blurred answer is not without significance.

I'd buy some savings

The preceding chart gives a picture of the overall results of this survey. As can be seen, 24 per cent of the households called said they would save the entire amount. (Perhaps, in part, because a bank called.) The next most popular answer involved paying off bills. Twenty-three per cent of the respondents would devote the entire \$2,000 to this purpose. Just 16 per cent said they would spend the entire amount.

The rest of the respondents said they would do some combination of the three basic answers. Roughly 10 per cent said they would spend and save, 6 per cent said spend and pay bills, 8 per cent would pay bills and save, and 8 per cent said save, spend, and pay bills. Charity and church use would be made of the \$2,000 by 4 per cent of those interviewed. The few remaining couldn't think of what they would do with \$2,000.

More specifically I would . . .

Of the 400 interviewed, 168 households would save all or part of a windfall of \$2,000. A savings account at a commercial bank, savings bank, or savings and loan association was mentioned by 116 respondents. Stocks would be purchased by 32 families. The rest—20 families—would buy

150 FAMILIES OF THE 400 INTERVIEWED SAID THEY WOULD REDUCE THEIR DEBT, . . .

PAY BILLS
95

MORTGAGE PAYMENT
55

AND 168 FAMILIES MENTIONED SAVINGS, . . .

SAVINGS ACCOUNT
116

STOCKS
32

OTHER
20

AND 243 FAMILIES WOULD SPEND SOME OR ALL OF IT.*

HOME REPAIRS
57

BUY FURNITURE
39

PURCHASE
NEW HOME
25

VACATION
18

CAR
15

EDUCATION
23

" ALL OTHER SPENDING
(INCLUDING NOT CLASSIFIABLE)
58

*These figures do not add to 400 because we tabulated all the uses among which those interviewed would divide the \$2000.

**Appliances including television

bonds or add some part of the funds to cash reserves, invest in real estate, etc.

There were 150 families who would use all or part to pay bills. Mortgage-debt reduction was specifically mentioned by 55 households. The others would payoff outstanding debt on automobiles, appliances, home repairs, etc.

Those who would spend all or part of the sum number 243. Home repairs, including painting, were mentioned by 57 families, or 14 per cent of all those called. Thirty-nine households—one shy of an even 10 per cent—would use all or part of the funds to buy furniture. All or part of the sum would be used as a down payment on a new house by nearly 6½ per cent. About 6 per cent of the respondents said they would apply the funds to purposes of education. Nearly 5 per cent would take a vacation. Just 15 families or 3.8 per cent of those called mentioned using the funds to purchase an automobile. Eight households mentioned appliances, including television sets. Five households said clothes would be purchased with a part of the \$2,000.

What does it mean?

It is difficult indeed to draw conclusions from an experimental survey such as this. For one thing our sample is small—400 households. Secondly, we have no previous survey with which to compare. Finally, and perhaps most importantly, mistakes in interpretation easily can be made. What follows then, can be only an opinion about the results of this survey.

It is possible to draw from this survey the conclusion that some catching up has to take place, that scars from the recession haven't healed completely. This conclusion may be inferred from: (1) the large proportion of people to whom paying off bills came immediately to mind, and, (2) perhaps from the fairly significant number who would use a windfall for savings.

If getting rid of current bills is the first thing that comes to mind when a windfall of \$2,000 is mentioned, it is pretty obvious that you are not in a really good "buying mood." Some of those who mentioned saving may well have been re-

plenishing their bank accounts after the recession depleted these accounts.

The recession did not seem to be a logical explanation of why saving was mentioned so frequently, however. Most of those who said they would save seemed to live in the more expensive sections of the Philadelphia area—sections that are normally not too adversely affected by a recession such as the one just passed. Savers in these areas seemed to be saying that there were no “big ticket” items that excited them.

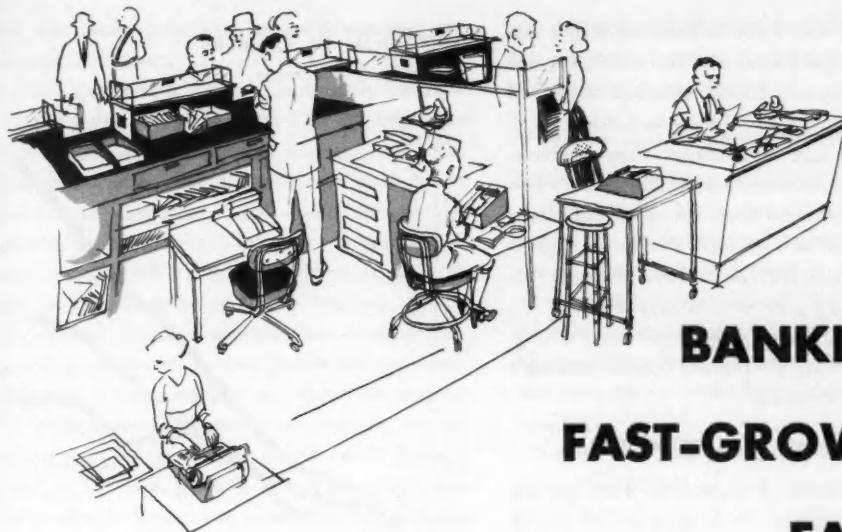
Because actual sales figures for 1959-model automobiles are inconclusive, the responses concerning cars are very interesting. A hard reading of this survey suggests that the 1959 models have not “caught on.” Certainly it would be difficult to take heart from the proportion of the sample saying they would use the \$2,000 toward buying a car. In addition, examination of the individual replies revealed no concentration of attention on particular makes. In fact, it is remarkable that no particular new car was named by more than one respondent. Since some cars underwent extensive restyling, this failure to cap-

ture attention has to be particularly disappointing.

The small number of respondents who would buy appliances was disappointing, too. After a few years of falling sales it is hoped that this area of spending will come on strong in 1959.

Home buying and expenditures on housing repairs were fairly numerous among the replies. Indirectly, at least, this might suggest some spending on appliances that isn't fully reflected in this survey. It is somewhat surprising that more families would use the \$2,000 toward the purchase of a house than a car.

It may be significant that education, furniture, and vacations were particularly popular in the so-called “high-rent districts.” Education and all that goes with it could be back in style. The “egghead” is coming into his own. Could furniture be providing a means to express oneself in a tasteful, satisfying way and, therefore, be in tune with this emphasis on culture? Vacation and travel expenditures have always seemed to have overtones of culture and sophistication. Perhaps this is some sort of evidence to sustain the idea of a new sophisticated consumer.



BANKING'S FAST-GROWING FAMILY

A middle-aged man in a dark suit—is that how you visualize the typical banker?

If it is, your mental image needs dusting. You're behind the times. Picture instead a pretty girl in her late teens or early twenties. Look closely and you might see her toe tapping to some remembered rhythm while she sorts checks and posts accounts.

Or picture a crew-cut executive behind a desk. Though obviously not many years on the job, he handles his work capably and with confidence.

Banking's family has taken on a decidedly youthful character. Contemporaries of our mythical miss and her young boss have entered the profession by the hundreds of thousands in the past decade. Taken together, they outnumber the remaining "oldtimers."

The younger generation has been attracted to banking by a postwar boom in job opportunities. And we use the word "boom" advisedly. The

growth in banking employment is noteworthy in an era when growth often has been taken for granted.

Somewhat more than 540,000 people now work in banks compared to about 330,000 in 1946.¹ This is an increase of 63 per cent. In contrast, total non-agricultural employment has increased but 20 per cent in the same period.

The labor force in commercial banks has grown even faster than employment in the remainder of the financial sector. This seems surprising. Non-bank financial institutions—insurance companies, mutual savings banks, investment firms, savings and loan associations, and the like—have gained great new importance since World War II. Measured by means other than employment, their growth rate often well outstrips that of banking.

¹ In this article, "banks" and "banking" refer to all insured commercial banks. Employment figures include officers and supervisory personnel. Banking employment information was taken from annual reports of the Federal Deposit Insurance Corporation—the latest being for the year 1957.

Some idea of the force behind banking's expansion is apparent when one realizes that it was achieved in spite of a general shortage of clerical workers. Banks, whose jobs are two-thirds clerical, have met stiff competition from business, industry, and government in the market for office workers. At the same time, the supply of clerks has been slim. Low birth rates during the depression plus earlier marriages have reduced the number of young girls seeking employment.

The need for extra bankers has been strong. But why? What are the reasons behind banking's personnel performance?

EXPLAINING THE EXPANSION

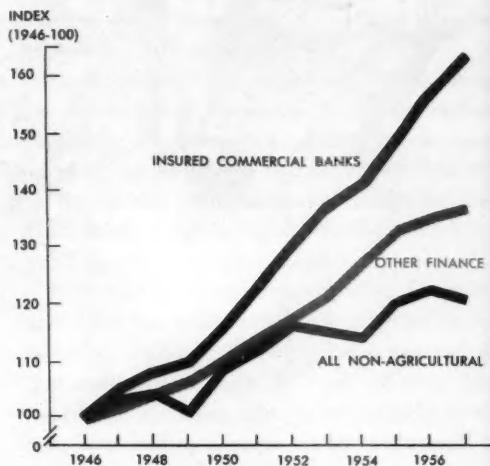
Banks are catalysts of commerce. They participate in most business transactions in one way or another. Increasing economic activity in the post-war period by swelling the demand for banking services has added to the banking workload. With more to do, banks have had to hire more people. But the explanation of employment expansion goes far beyond just being busier.

The character of the industry itself has changed significantly. Banks have added different dimensions to their services since the end of the war. In so doing, they have shifted toward activities that require relatively more labor.

Since 1946, banks have cut back on their investments in bonds and have built up their loans. Loans accounted for 21 per cent of total assets in 1946, having dropped to this figure during the depression and World War II. Loans had risen to 43 per cent of assets by 1957. Per dollar of face value, it takes much more labor to make and administer a loan than to buy and hold a bond. Credit investigations must be made, statements analyzed, payments recorded, and so on. Bonds, on the other hand, usually do not require such complicated processing.

THE BOOM IN BANKERS

December Employment



Important changes also have taken place within the investment portfolio itself. Banks now own relatively fewer U. S. Government securities and more state and local government issues. The latter are much more difficult to handle. The vast conglomeration of towns, school districts, authorities, etc., make careful and detailed analysis a necessity.

Banks are doing an increasing amount of real-estate lending. The growth of time deposits and the extra liquidity imparted by the federal mortgage programs have cast real-estate lending in a more favorable light. As for the manpower involved in mortgages, suffice it to mention: appraisals, inspections, monthly payments, taxes, insurance, and escrow accounts.

Consumer banking creates extra jobs

Perhaps the most important reason for the rapid growth of banking employment is what has been called the shift from class to mass banking. Since

the war banks have been ardently courting the average consumer.

Bank installment loans to consumers have increased seven-fold since 1946. This is a laborious kind of lending and the key to success is mass production with a large, specialized work force. Related to consumer credit operations is the growth of "floor plan" inventory financing for auto and appliance dealers. This too, is an intricate and time-consuming type of lending.

Personal checking accounts are another fast-growing service. Up-to-date figures are not available but it seems safe to say there are at least 15 million more accounts now than at the end of the war. The result is a billion more checks a year for banks to process. In addition, there has been a steady increase in time deposits, safekeep-

OUR BRANCH OF THE BANKING FAMILY

We've had a local boom in bankers, too. But it hasn't been quite so hefty. Commercial bank employment in the Third District states of Delaware, New Jersey, and Pennsylvania has increased 50 per cent since 1946. The rate for the whole country is 63 per cent.

This lag reflects national patterns of economic growth. Population, personal income, and production have increased more rapidly in other regions — particularly the Southwest and West. Banking tends to grow as its customers grow.

Banking employment is slightly less important locally than nationally. According to recent figures, 0.98 per cent of all non-agricultural job holders in our three-state area work in banks compared to a national figure of 1.03 per cent. One explanation for the difference may be that banking meets more competition from other financial institutions in this mature, heavily populated section of the country. Another could be the larger average size of our banks which might permit certain personnel economies.

ing facilities, and other services. Keeping up with the consumer creates a mountainous workload and jobs for more bankers.

Branches add to personnel needs

Banks often tag along when their customers move to the suburbs. Many new branches have been opened in edge-of-town shopping centers. This branch movement (as distinct from mergers) has increased the over-all demand for bank workers. Since branches are often miniatures of the main office, offering many of the same services, a certain amount of staff duplication is inevitably involved.

Centralized accounting has reduced—but not offset—the impact of branches on personnel requirements. Some of the larger banks have set up paper work "production lines" outside the high-rent central business districts. Here, routine clerical operations for all the branches are performed under one roof. High volume permits specialization and the bank's total labor force often can be reduced somewhat.

Less mechanization means more manpower

Modern banks use many machines to speed their work flow. Indeed, some of the bigger institutions have recently installed electronic computers. Yet one wonders if mechanization has proceeded as fast in banking as in the rest of the economy. A relatively slower rate of mechanization would help explain banking's greater-than-average need for workers. There are reasons to believe this has been the case.

Banking, a clerical-service industry, is not so well suited to mechanical operations as is manufacturing. In many modern factories, there are machines that can run other machines but processing paper work still seems to require more human thinking-power.

The use of machinery in banking, however, also may have lagged behind other clerical industries during the past decade. There are a few "giants" but the vast majority of our 13,000 banks are small. When you exclude the largest 250 banks (only two per cent of the total number), the average bank employs about 20 people. Small size has made rapid mechanization difficult in many banks. They just don't do enough business to carry the overhead of a large investment in machinery. Insurance companies, investment firms, and many other clerically focused institutions are relatively larger and therefore have been better able to use machines to save labor.

There are two other special obstacles to banking mechanization. First, nobody has yet invented a machine that can count money by itself. Many people are still required to handle this basic raw material of banking. Second, the lack of standardization in checks has limited mechanical processing. Checks—a large part of any bank's workload—come in a number of sizes and are printed in many different ways. This variety is hard for machines to digest.

Considerable progress, however, has been made toward a system of uniform checks in the past several years. In fact, the whole picture of bank mechanization is brightening fast. Machines that "read" are already a reality; they get their instructions from printed figures rather than magnetic tape or holes punched in a card. But like other important mechanical developments, these machines are not yet widely used. The next decade promises much more mechanization than the last delivered.

The Family's Future

In spite of advancing mechanization, banking should be an industry of employment opportunity in the foreseeable future. Experts say that turn-

over alone will create a yearly replacement demand for 100,000 banking employees. In this total will be jobs for 1,000 presidents and 5,000 vice presidents.

Yet we can expect more than just a need for replacements. Banking's family will keep on growing. The U. S. Department of Labor predicts that total banking employment will be greater in 1965 than it is now.

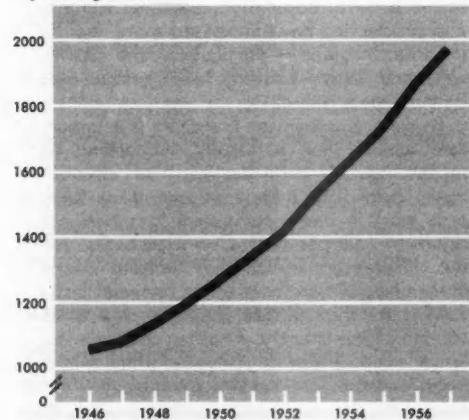
Consumer banking will continue to be a key determinant of the industry's personnel needs. Here the outlook is especially bright.

Our growing population plus rising personal income will mean many new customers for existing services, such as installment loans, and checking and savings accounts. But banks are not likely to rely solely on broad national trends to make customers for them. Latecomers in the consumer field, banks have recently become important innovators. They've thought up a number of changes in their service mix to stimulate their consumer business.

Chargeplate systems are now offered by several

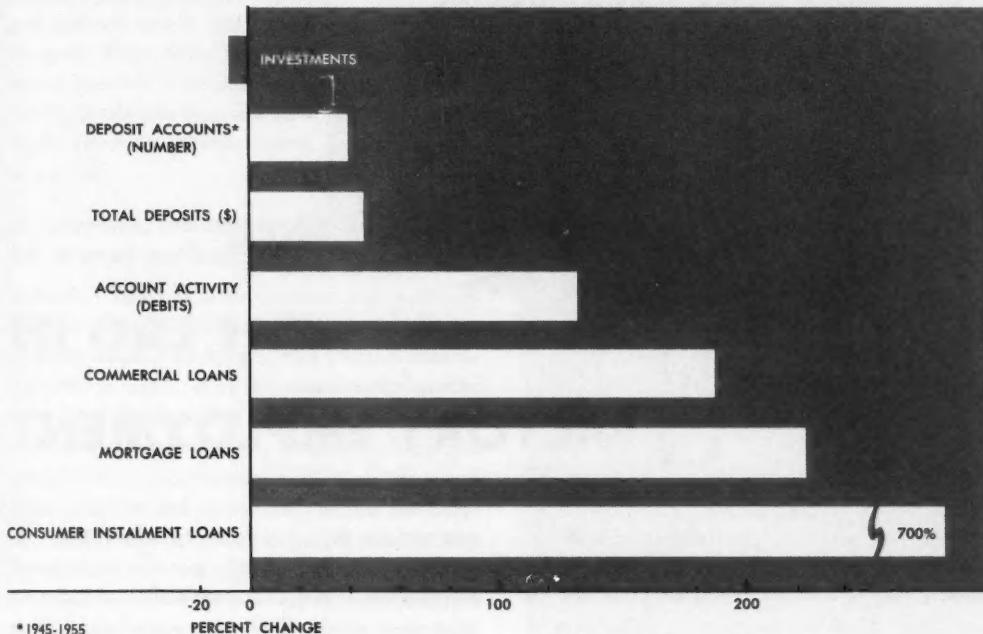
BRANCHING OUT

The Number of Insured Commercial Banks Operating Branches



BANKING'S CHANGED WORKLOAD

Percentage Change 1946-1957 in Selected Indicators of Commercial Banking Activity



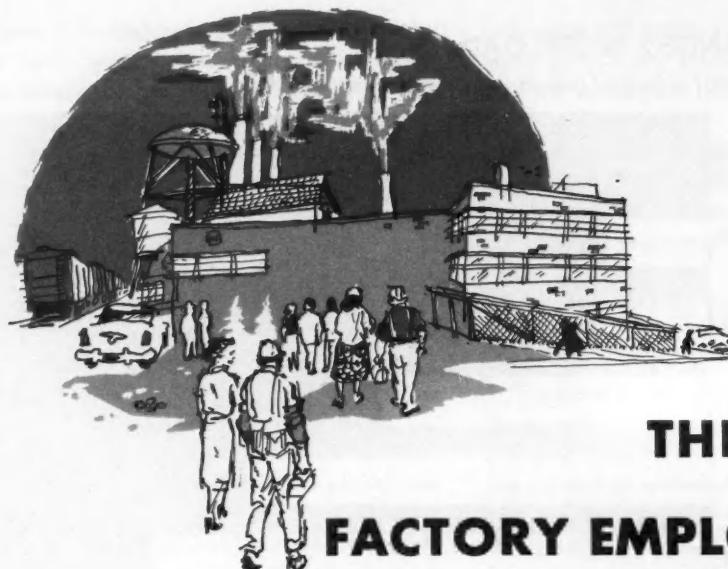
* 1945-1955

PERCENT CHANGE

of the nation's largest banks. People who qualify may charge purchases at any participating retail store. The merchant then turns the account over to the bank which handles all billing and collection matters. Some banks now operate a form of credit union for employees of other firms. A re-

volving credit plan for consumers that resembles the commercial line-of-credit arrangement is another new idea.

These are just a few illustrations—there are many others. Banking's young and growing family seems to be planning a big future for itself.



THE LAG IN FACTORY EMPLOYMENT

Recovery in factory employment from a recession low reached around last midyear has continued to lag behind the improvement shown by most other measures of business activity. And persistent stickiness in manufacturing employment has been more apparent in the Philadelphia Federal Reserve District than in the country as a whole.

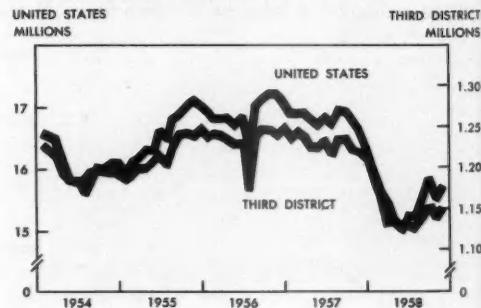
Of course, employment is only one measure of labor input, and in times of declining business activity and smaller profits special efforts are made to reduce labor costs. Another measure of labor input is the number of hours worked. Some of the lag in factory employment may be explained by the more rapid rise in average weekly hours, as this analysis reveals.

Comparing factory employment trends of 1957-1958 in this District with those in the United States, we found considerable disparity in the magnitude of both the decline during the reces-

sion and the degree of recovery achieved so far. As the following chart shows, employment declined less locally than nationally and is recovering more slowly. This was a repetition of what happened in the recession of 1953-1954.

From August 1957 to May 1958, the number employed in District factories declined a little over 8 per cent. But in the United States the loss

TOTAL FACTORY EMPLOYMENT



in manufacturing employment over these nine months ran to more than 11 per cent. So far in the recovery period the disparity between local and national trends has grown even more pronounced. Thus, from May to November 1958 a rise of scarcely 2 per cent in employment at District factories has been less than half the increase experienced by establishments in the country as a whole.

In recession, industry trends followed the over-all pattern

Recession losses in both durables and nondurables followed the over-all employment pattern, showing smaller declines in this District than in the United States. And this consistently carried over into all but a few of the individual lines making up these two major industry groups. The principal exceptions occurred in stone, clay, and glass products and instruments among the durables, and in textiles and chemicals in nondurables. It was chiefly in these lines that employment losses during the recession were more pronounced locally than nationally. In the case of printing and publishing, employment in Third District plants showed a small increase in this period compared with a fractional decline in the country as a whole.

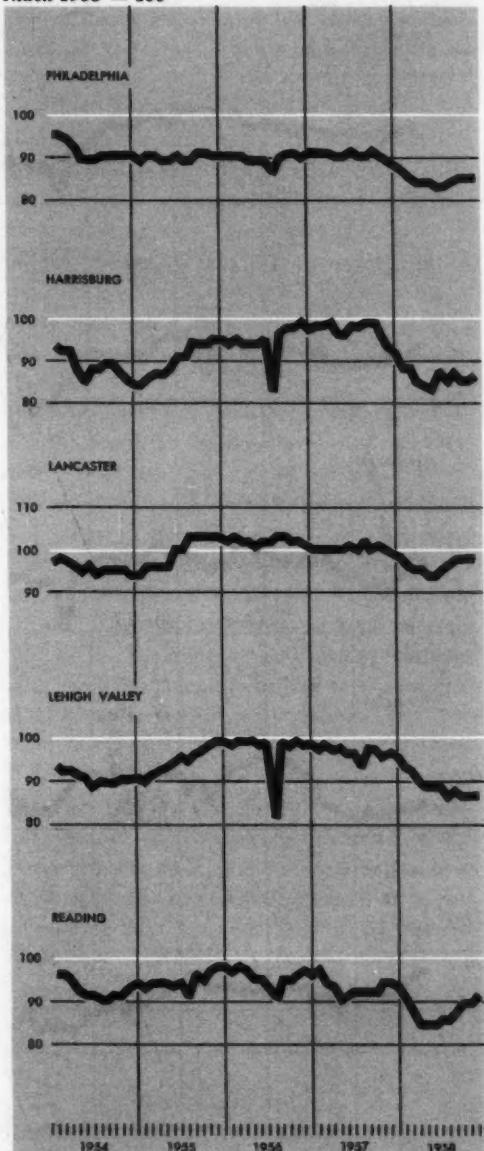
... and a similar situation persisted during recovery

Through six months of recovery to November 1958, Third District industry lines with only three exceptions experienced appreciably smaller employment increases locally than nationally. The principal exceptions to this over-all pattern in the recovery period were transportation equipment, textiles, and printing and publishing.

Comparing the spread of employment recovery in individual lines, we find it has been on a nar-

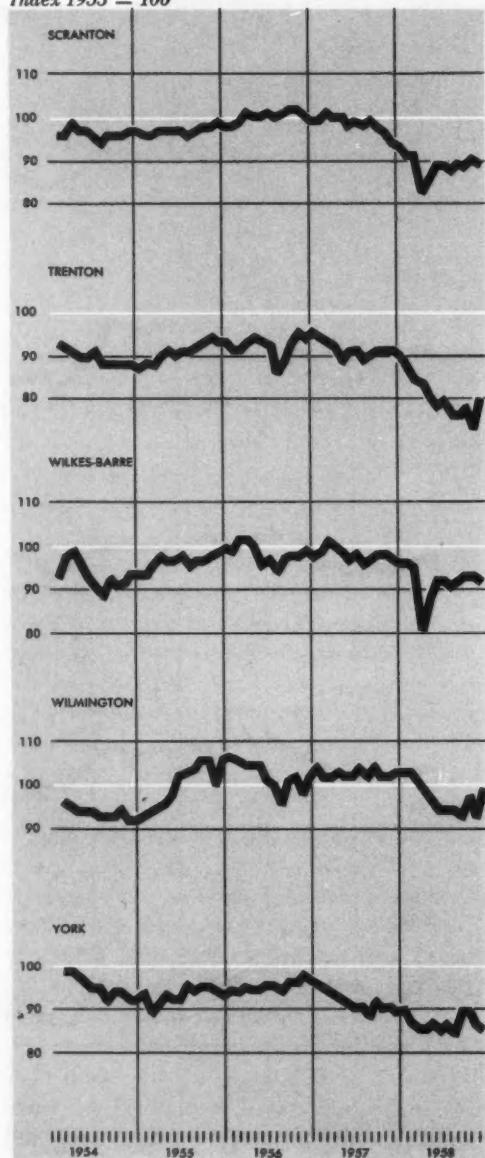
TOTAL FACTORY EMPLOYMENT

Index 1953 = 100



TOTAL FACTORY EMPLOYMENT

Index 1953 = 100



lower front in this District than in the United States. Locally, there still were five industry lines where the downtrend of late 1957 and early 1958 had not yet been reversed. Employment losses continued through November in primary metals, non-electrical machinery, instruments, petroleum products, and miscellaneous manufacturing, which includes ordnance. Nationally, job totals in the recovery period to November 1958 showed little or no improvement in non-electrical machinery and petroleum products but in most other lines upward trends seemed to have firmed.

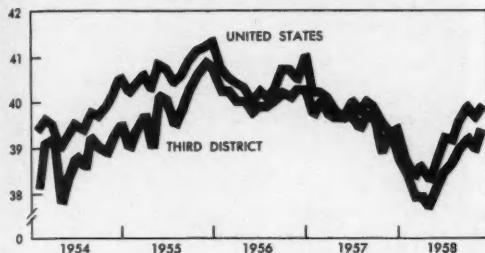
Third District heavy goods areas were severely affected

Within the Philadelphia Federal Reserve District, regional differences in factory employment trends continued pronounced in both the decline and early recovery phases of the recent recession. The accompanying series of charts show these variations in ten of our largest industrial areas.

It is not hard to generalize as to the factors behind some of the wide employment swings at local levels. There was a decided tendency for employment declines to be more severe and prolonged wherever primary steel, fabricated metals, machinery, or transportation equipment were relatively important lines. And with a few exceptions these heavy industry areas seem to be experiencing the greatest delays in recovery. Employment swings in recession and recovery tended to be less pronounced in areas where nondurables are more important.

Trenton and Harrisburg were the areas hardest hit by employment declines centering in metal industries. And severe losses in one or more heavy goods lines important in the Lehigh Valley, Reading, and Wilmington were in large part responsible for pronounced downtrends in these areas. One of the longest employment declines

AVERAGE WEEKLY HOURS OF FACTORY PRODUCTION WORKERS



occurred in York, having started in the late fall of 1956 with cutbacks in metal fabricating and machinery.

In Lancaster and Wilkes-Barre, where textile mill products, apparel, and some other nondurable goods carry considerable weight in the area employment totals, recession losses were comparatively light. Philadelphia, with its highly diversified manufacturing economy, seems to have experienced about the same percentage decline as the total District and also, like the District, has regained only a small part of these losses.

Since the beginning of recovery, Reading seems to have made the most substantial progress. And it has been an improvement in the heavy industries that contributed substantially. Reading employment is rising with increases in machinery and transportation equipment.

Factory working time has recovered much more than employment

Unlike employment, average working time at

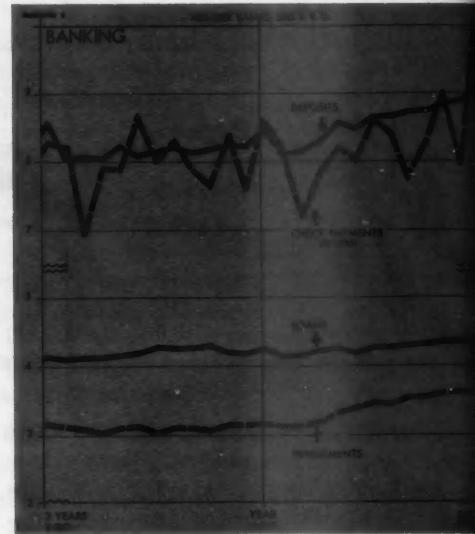
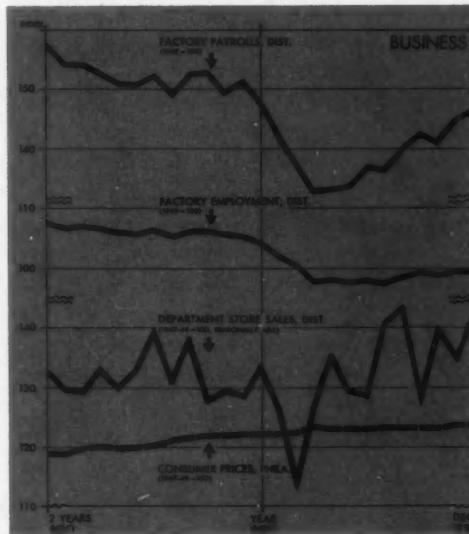
factories declined somewhat more in this District than in the country. Recovery so far has been somewhat more pronounced locally than nationally. The shortening in hours of work began at about the same time as the decline in employment, but percentage-wise it was less severe. In this District, durables and nondurables declined about proportionately but in the country durables seemed to show more weakness. In the recovery phase, working time in nondurables made a sharper comeback locally than nationally. As the accompanying chart shows, the recession losses in average weekly hours had been very largely made up both here and in the United States by November 1958.

Within the Philadelphia Federal Reserve District the length of the work week has increased considerably in all but four of our major industrial areas. The Lehigh Valley, Harrisburg, Wilkes-Barre, and Wilmington are the areas where recovery in hours has shown a pronounced lag. In Lancaster and York, average working time has risen above the pre-recession levels of early 1957. In the remaining areas, including Philadelphia, hours have recovered all, or very nearly all, of their earlier losses.

In summary

The record shows that during the recent recession, factory employment declined less in this District than in the United States and so far, local employment has also recovered less. With respect to working time, however, both the decline and subsequent recovery were sharper locally than nationally.

FOR THE RECORD...



SUMMARY	Third Federal Reserve District		United States		LOCAL CHANGES		Factory*		Department Store		Check Payments	
	Per cent change		Per cent change		Employment		Payrolls		Sales			
	Dec. 1958 from mo. ago		12 mos. 1958 from year ago		Dec. 1958 from mo. ago		12 mos. 1958 from year ago		Per cent change Dec. 1958 from mo. ago			
	year ago	year ago	year ago	year ago	year ago	year ago	year ago	year ago	year ago	year ago		
OUTPUT												
Manufacturing production	0	-4	-11	-3	+5	-6						
Construction contracts	-5	+23	+7	-12	+15	+9						
Coal mining	-3	-1	-20	0	0	-18						
EMPLOYMENT AND INCOME												
Factory employment (Total)	0	-5	-7	0	-4	-8						
Factory wage income	+1	-1	-8						
TRADE*												
Department store sales	+5	+7	+2	+5	+4	+1						
Department store stocks	-1	+3	...	-2	0	...						
BANKING												
(All member banks)												
Deposits	+3	+9	+5	+4	+10	+5						
Loans	0	+2	+1	+3	+2	+2						
Investments	-1	+13	+10	-1	+16	+14						
U.S. Govt. securities	-2	+12	+8	-2	+16	+13						
Other	+1	+16	+17	+1	+16	+16						
Check payments	+27	+17	+41	+31	+8	+4						
PRICES												
Wholesale	0	+1	+2	0	+1	+1						
Consumer	0	+1	+2	0	+2	+3						

*Adjusted for seasonal variation. 120 Cities 1 Philadelphia

*Not restricted to corporate limits of cities but covers areas of one or more counties.

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